

ANNUAL REPORT 1960

Sundstrand
H.P.

J. C. PENNEY CO.





On the Cover and above is illustrated Penney's

College Center store at Bakersfield, Calif.

Formerly downtown, in 1960 it opened in a new
suburban shopping center. Penney's also has a
downtown Bakersfield store, at 1501 19th street.

There are 1,695 Penney Stores in 48 States

(At Jan. 31, 1961)

ALABAMA	18	NEBRASKA	43
ARIZONA	20	NEVADA	6
ARKANSAS	18	NEW HAMPSHIRE	3
CALIFORNIA	160	NEW JERSEY	9
COLORADO	43	NEW MEXICO	19
CONNECTICUT	7	NEW YORK	40
DELAWARE	3	NORTH CAROLINA	35
FLORIDA	30	NORTH DAKOTA	25
GEORGIA	22	OHIO	84
IDAHO	31	OKLAHOMA	49
ILLINOIS	52	OREGON	43
INDIANA	56	PENNSYLVANIA	63
IOWA	68	RHODE ISLAND	1
KANSAS	64	SOUTH CAROLINA	15
KENTUCKY	23	SOUTH DAKOTA	23
LOUISIANA	14	TENNESSEE	27
MAINE	10	TEXAS	137
MARYLAND	9	UTAH	25
MASSACHUSETTS	8	VERMONT	3
MICHIGAN	56	VIRGINIA	19
MINNESOTA	60	WASHINGTON	62
MISSISSIPPI	22	WEST VIRGINIA	13
MISSOURI	49	WISCONSIN	57
MONTANA	32	WYOMING	19

New stores opened in 1960

ALABAMA	OHIO
Eastwood Mall	Lakemore Plaza
Birmingham	Akron
CALIFORNIA	Airway Shopping Center
Southgate Shopping Center	Dayton
Sacramento	Milford Shopping Center
College Grove Shopping Center	Milford
San Diego	Northfield Square Shopping Center
FLORIDA	Northfield
Central Shopping Plaza	OREGON
Miami	Oswego Shopping Center
Carol City Center	Oswego
Opa-Locka	Eastport Plaza Shopping Center
ILLINOIS	Portland
Winston Plaza	Lloyd Center
Melrose Park	Portland
INDIANA	TENNESSEE
Meadows Center	Brainerd Village Shopping Center
Terre Haute	Chattanooga
KANSAS	TEXAS
Eastgate Shopping Center	Sunset Center
Wichita	Amarillo
LOUISIANA	Oak Cliff Shopping Center
Bon Marche Shopping Center	Dallas
Baton Rouge	Dumas
Lakeside Shopping Center	Jefferson City Shopping Center
Metairie	Port Arthur
MAINE	Northwest Center
Madawaska	San Antonio
MICHIGAN	VIRGINIA
Tech Plaza Shopping Center	Janaf Shopping Center
Warren	Norfolk
MISSOURI	Mid-City Shopping Center
Town and Country Mall	Portsmouth
St. Louis	WEST VIRGINIA
NEW JERSEY	Clarksburg
Menlo Shopping Center	WISCONSIN
Menlo Park	Westgate Shopping Center
	Madison

Established stores moved to new buildings in 1960

CALIFORNIA	MONTANA
Bakersfield	Laurel
Livermore	Whitefish
Tulare	
Whittier	NEBRASKA
COLORADO	Wahoo
Loveland	NEW YORK
Wray	Port Jervis
FLORIDA	Watertown
Orlando	NORTH DAKOTA
GEORGIA	Jamestown
Athens	Rugby
Brunswick	Williston
Savannah	OHIO
IOWA	Lancaster
Denison	OKLAHOMA
KANSAS	Shawnee
Manhattan	PENNSYLVANIA
KENTUCKY	Shanokin
Paducah	Sharon
MICHIGAN	Uniontown
Battle Creek	TENNESSEE
MISSISSIPPI	Greeneville
Greenville	TEXAS
MISSOURI	Cleburne
Marshall	Lamesa
Moberly	Snyder
	WASHINGTON
	Bellingham

annual report
1960

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J. C. PENNEY COMPANY

Central Office: 330 West 34th Street, New York 1, N.Y.

Financial highlights	<i>Year ended January 31, 1961</i>	<i>Year ended January 31, 1960</i>
Stores	1,695	1,683
Sales	\$1,468,917,982	\$1,437,489,357
Average sales per store (open a full year)	\$868,455	\$852,268
Net earnings	\$44,994,095	\$51,523,734
Earnings per share	\$1.82	\$2.09*
Depreciation and amortization	\$12,537,040	\$11,527,181
Number of shares outstanding	24,695,856	24,695,856*
Taxes — federal, state and local	\$66,694,025	\$71,767,190
Taxes per share	\$2.70	\$2.91*
Dividends	\$37,013,784	\$33,339,405
Dividends per share	\$1.50	\$1.35*
Property and equipment — net	\$86,233,095	\$78,948,290
Earnings retained for reinvestment in the business	\$7,950,311	\$18,184,329
Inventories	\$203,823,435	\$209,738,361
Shareholders' equity	\$308,319,491	\$300,369,183
Shareholders	39,136	34,766

* Adjusted for 3-for-1 split May 27, 1960.

April 12, 1961

To the shareholders:

1960 was a year of progress and achievement and of some disappointments. Sales set an all-time record but fell below our expectations.

Earnings were substantially below those attained in the record year 1959, reflecting a combination of unfavorable factors. Generally, the year was one of declining economic activity. A favorable break in the weather during the important summer and winter selling seasons could have produced a significant improvement in our overall performance.

Last year saw continued expansion and acceleration of our credit program and resultant heavy startup expenses, increased expense ratios and heavier-than-normal markdowns during the periods of unfavorable weather.

The results of your Company's operations for 1960 are presented in greater detail in the balance sheet and earnings statement on pages 13-15.

1960 was a challenging year. It was also a year of progress on several fronts, as we believe a study of this report will show.

We want to thank the thousands of Penney associates whose loyal and devoted efforts have made our progress possible. It is a result of real team effort on the part of our associates, our suppliers and all with whom we were privileged to work.

Sales

Sales for the fiscal year 1960 amounted to \$1,468,917,982, an increase over the previous year of \$31,428,625 or 2.19 per cent. December sales of \$244,913,747 represented a new high for any single month in our history and were larger than the sales of the chain of 1,481 stores for the entire year 1935. In the last ten years the number of stores has grown from 1,621 to 1,695. In that same period the Company's sales have increased steadily from \$1,035,201.519 to the 1960 total. While reflecting the rise in family incomes and increased prices of merchandise during that period, these figures also are indicative of the Company's continuing program of improving and enlarging stores and of opening new stores with better facilities and greater possibilities.

Earnings, dividends and taxes

Earnings before federal income taxes totaled \$94,094,095 compared with \$108,023,734 in 1959,

a decrease of 12.9 per cent. After provision for federal income taxes of \$49,100,000 the net earnings were \$44,994,095 or \$1.82 per share. Quarterly dividends equivalent to 30¢ a share, and an extra dividend equivalent to 30¢ a share, were paid during the year for a total of \$1.50. The payment of \$37,043,784 equaled 82 per cent of the net earnings for the year. \$7,950,311 or 32¢ per share was added to surplus for operation and development.

Financial position and inventory

Your Company continues to maintain a strong and liquid financial position. At the year-end, cash totaled \$104,705,430. The merchandise inventory at the year-end of \$203,823,435 was in line with sales expectations and seasonal requirements. Inventories at times during the year were higher than desired because sales fell below estimates. Accounts receivable from customers less provision for doubtful accounts at the year-end amounted to \$52,528,237. Part of our receivables are being financed internally with our own cash. We used short-term borrowed funds in 1960 and will do so again in 1961.

Changes in officers and directors

William L. Marshall, a vice-president, was elected to the board of directors at the annual meeting last May. He fills the position on the board vacated by John F. Brown, who, upon retirement from the Company, asked not to be renominated. Mr. Marshall, who joined Penney's in 1926, heads our District Management department.

Homer F. Torrey retired from the Company and the board effective last August 1.

We wish to give grateful recognition to Messrs. Brown and Torrey, former vice-presidents whose combined Penney service totals eighty years, for substantial contributions in their respective positions as real estate manager and sales manager.

Stock split approved

At the annual meeting on May 26, 1960, the shareholders approved a three-for-one split of the Company's common stock effective last May 27. The

9,000,000 authorized shares without par value were increased and changed to 27,000,000 shares of \$1 par value. The outstanding 8,231,952 shares were split into 24,695,856 new shares.

The credit expansion program

Originally it was planned to install credit in all Penney stores by the end of 1963. Now it is planned to accomplish this task by mid-1962. The progress of this program is discussed in detail on page 5.

Personnel

As has been true since its founding, Penney's is a "people" business. We recognize that our continued success is in direct relation to our ability to attract and hold associates of high standards.

One of our efforts in this area, during 1960, took place in our Zone personnel offices in which trained specialists are giving full time to the employment and training functions. As a result, approximately 1,200 young men were employed during the year, most of whom are college graduates.

Also during 1960, the Company's education and communications division completed details of an intensified training program for management trainees and sales associates that will be put into effect in the stores during 1961.

While giving emphasis to the right selection and training of associates, the Company always has recognized the desirability of providing a good environment in which to work. The Penco Profit-Sharing Retirement Plan, reaffirming a long-standing Penney principle of sharing the profits with those who produce them, strengthens and improves our competitive position with respect to personnel. Also, for many years we have provided group life insurance, a sick benefit plan, a liberal vacation policy, discounts on purchases and a contributory hospital and surgical insurance plan. You who are partners in this business can well be proud of the quality and loyalty of our Penney people.

What's ahead?

Looking first at 1961, we see no reason for great optimism for the first six months at least, in view of the current economic situation. We believe the

first half will be a difficult one in many respects. Our budgets do, however, anticipate a slight sales gain. The outlook at this time still is too uncertain to make any predictions about the last half, which contributes so heavily to sales and profits.

We see many opportunities for growth in the Penney Company in 1961 and beyond. They include: First, the opportunity for continual physical plant expansion. Second, offering customers expanded lines and other assortments of Penney quality merchandise. Third, the use of credit as a selling tool.

The trend of our new store openings is definitely toward markets of over 100,000 population. To facilitate this growth, we have recently coordinated and greatly strengthened our store planning activities. Work is planned or underway to improve our store image in the minds of customers. Thrifty, low-cost operation will continue to be emphasized to enable the Company to offer outstanding values in Penney-quality merchandise. We are confident we can make our stores still more inviting places to shop, with wider merchandise offerings attractively presented and merchandise selections made easier.

The opportunity we have to strengthen our overall customer appeal by broadening the merchandise lines we now carry, as discussed on page 7, and by expanding somewhat the higher priced items in many of our present lines, is closely related to the use of credit as a strong selling tool.

As we look ahead in 1961 and beyond, we believe that you as a shareholder can have confidence in the ability of this Company to continue its record of serving well and profitably the consumers of America. Among other reasons justifying this confidence:

Present customer acceptance — built upon nearly sixty years of fair dealings, honest advertising, first-quality Penney merchandise and friendly, helpful service.

Intensified planning and research — analyzing carefully and factually our tools for getting a larger share of the market.

The morale and experience of Penney people — we feel they rank among the very best in capability and enthusiasm.

We at Penney's appreciate the confidence the shareholders have shown in us and will endeavor to discharge well our responsibility to you.

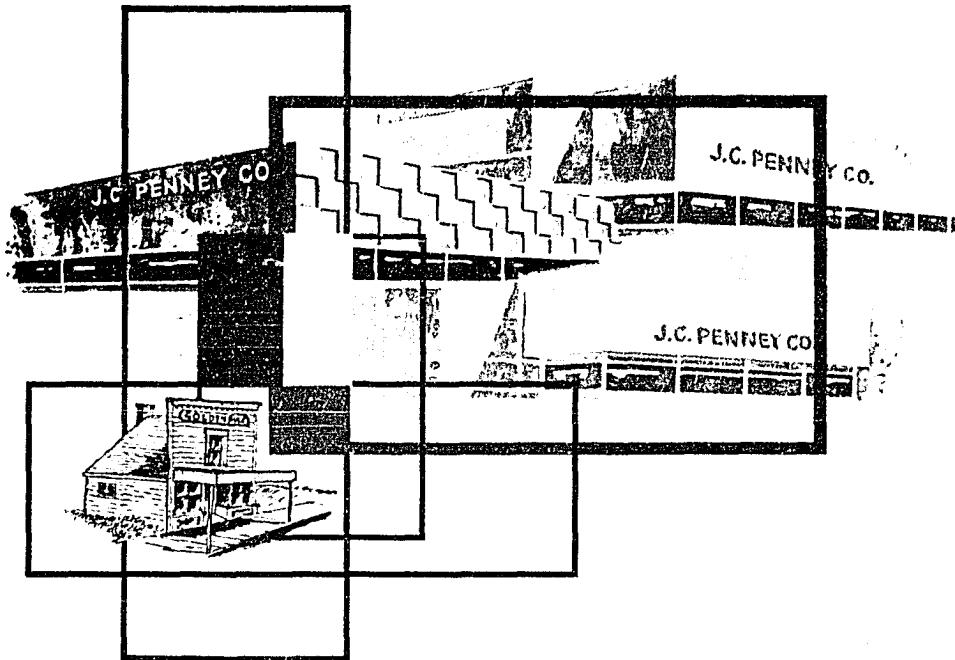
Sincerely yours,

A. W. Hughes

Chairman of the Board

W. M. Satten

President



Penney stores are getting bigger We added two million square feet to our physical plant in 1960. We opened 31 new stores and relocated 34 existing ones in new buildings. Another 46 had major expansions. These 111 new or expanded stores represent added space, added volume. Another 174 stores underwent alterations and modernizations which, while not adding space, will help us maintain our competitive position. We closed 19 smaller, less productive stores.

The Company's capital expenditures amounted to \$20,200,000, \$4,300,000 more than the previous year. Landlords' capital expenditures during the year totaled an estimated \$32,700,000, or about \$9,700,000 more than in 1959. In line with our established policy of leasing rather than owning store buildings, nearly all of the building cost last year was invested by our landlords. Only 48 of our store buildings are Company-owned. We prefer to invest our money in merchandise rather than in real estate.

Penney stores have been growing steadily over the years in size as well as numbers. The first

Penney store was only 25 by 40 feet, but by World War II the gross area of new stores was averaging about 12,000 square feet.

The new suburban shopping center stores we opened in 1960 averaged 45,000-50,000 square feet. During 1961 some of the larger shopping center stores to be opened include Great Lakes Shopping Center, Mentor, Ohio; Christown Shopping Center, Phoenix, Arizona, which will gross over 60,000 square feet, and Del Amo Shopping Center, Torrance, California, which will exceed 70,000 square feet. At the end of 1960 we were operating 156 stores in suburban shopping centers.

In the last five years we have opened 128 new stores, moved to new buildings 183 established stores, expanded 222 and improved or modernized 775 stores. During this same period we closed 99 small stores where continued operation was considered uneconomic.

The total gross area of all 1,695 Penney stores in operation at year's end was approximately 37,850,000 square feet.

Credit slated for all stores Important progress was registered last year in the program to install customer charge accounts in Penney stores. At the end of the fiscal year, 725 stores offered charge accounts, or 532 more than at the start of the year.

Plans call for installing credit in at least an additional 755 stores in fiscal 1961, and possibly as many as 882. Installation of credit in all Penney stores should be completed by mid-1962.

The scheduled completion of credit installations at an earlier date than originally believed possible brings us closer to the end of heavy startup expenses, which last year had an adverse effect on earnings. Accordingly, the beneficial effects on earnings of adding charge selling to our operations should be realized somewhat sooner.

Credit selling has expanded satisfactorily since it was initiated in 24 pilot stores in September of 1958. During fiscal 1960 credit sales amounted to \$124,887,953, or 8.50 per cent of total sales. On January 31 about 2,000,000 customers had opened charge accounts and accounts receivable from customers totaled \$54,383,970.

We believe the addition of credit will enable us, in time, to strengthen our overall customer appeal in two important ways: first, by expanding sales somewhat in the higher-priced items in lines already enjoying wide acceptance, and by broadening the lines we carry now.



Regional Credit Offices

Albany	Dallas	Houston	Jacksonville	Minneapolis	Phoenix	Richmond
Cincinnati	Denver	Indianapolis	Los Angeles	Oakland	Portland	

Gaymode

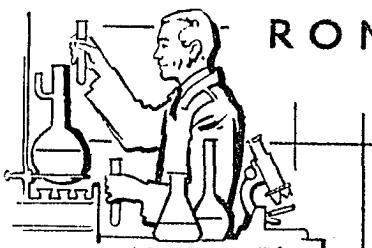


PENCO



... and many more.

RONDO

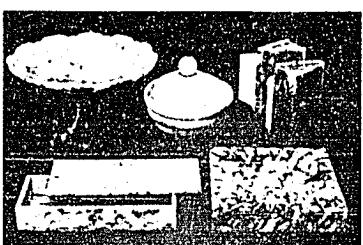
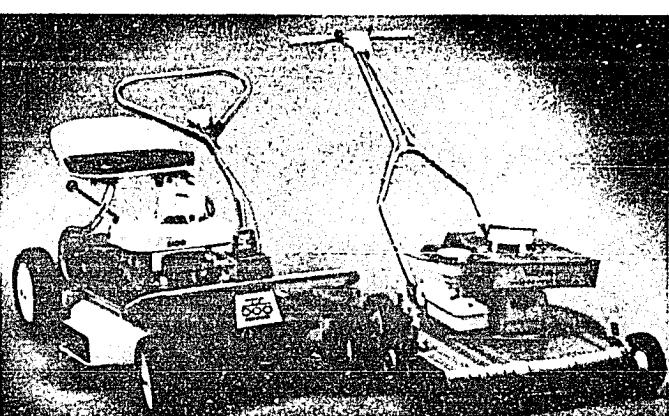
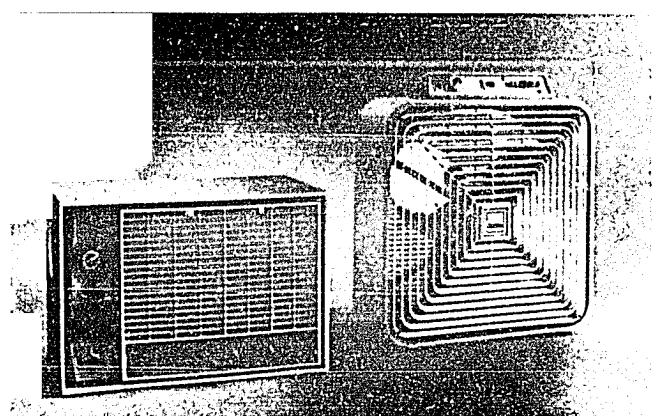
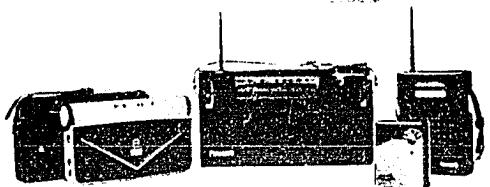
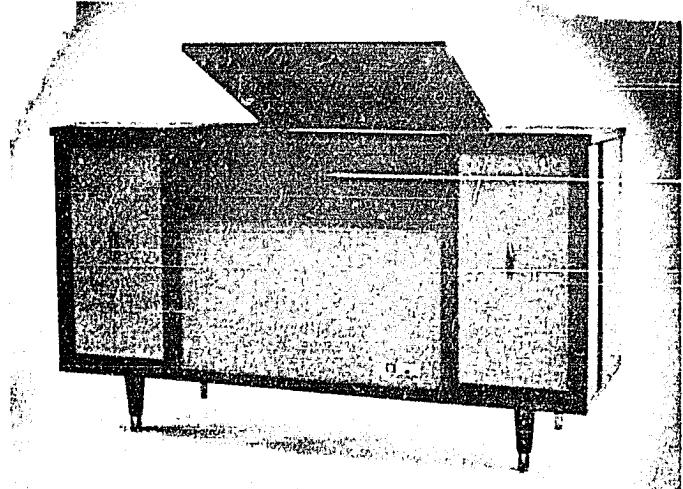


Accent on quality Accenting quality has been a habit at Penney's for many years. Even in the early days Mr. Penney, returning from market, tested fabric samples in his hotel room for color fastness and shrinkage . . . Today Penney buyers, laboratory technicians and manufacturers team up to make sure that Penney quality standards are rigorously observed at all times.

So it is that customers may expect to find only *first* quality merchandise at Penney's — and in addition, *extra* quality and value in Penney's own branded lines. Our staff of more than 250 buyers and specialists are working constantly to develop and make available the very best merchandise at the lowest possible prices.

One example of this may be found in the wide use of Pima cotton (after Pima County, Arizona, where it originated) in underwear, dress shirts and other items. Always considered the aristocrat of cottons, Pima's use was greatly restricted until Penney's introduced its all-Pima Towncraft dress shirts at popular prices.

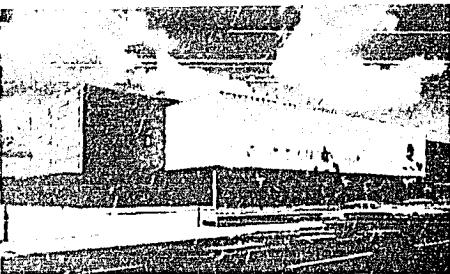
Within the last year, we have expanded use of Pima cotton to include men's, boys', girls' and infants' all-Pima underwear and as a Company we now are the largest single user of Pima in the retail field. The combination of premium cotton with high standards of workmanship has resulted in outstanding products and customer acceptance — and another Penney first!



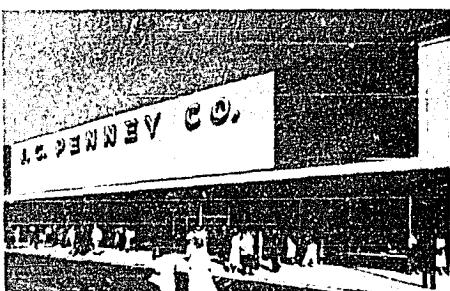
Expanding merchandise lines In addition to providing continually expanding lines of clothing and other soft goods, Penney's is broadening its scope by introducing an ever increasing range of hard lines.

Continued progress in this direction will be made possible by the opening of larger stores and by extension of credit selling. Although most stores continue to sell soft goods primarily, some of our new shopping center stores report the new home furnishings and home equipment items account for as much as 10 to 15 per cent of their volume.

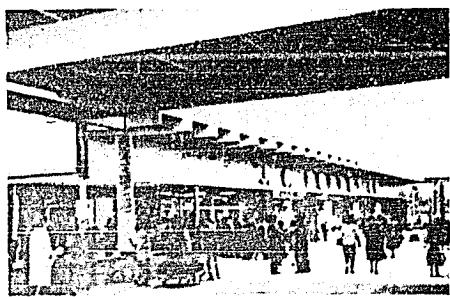
Illustrated on this page are a few of the new items available in many Penney stores. The new lines range from delicate imported china to heavy-duty lawn mowers. Indoor and outdoor furniture, patio equipment and a wide variety of kitchen and household items are among those gaining acceptance with both old and new Penney customers.



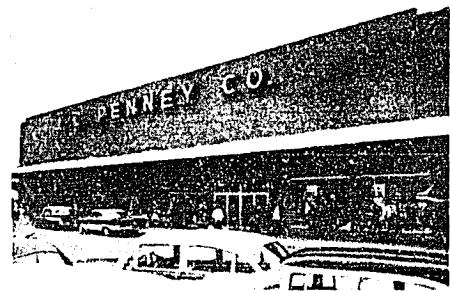
Lloyd Center, Portland, Ore.



Central Shopping Plaza, Miami, Fla.



Menlo Shopping Center, Menlo Park, N.J.



Mid-City Shopping Center, Portsmouth, Va.

Opportunities for growth

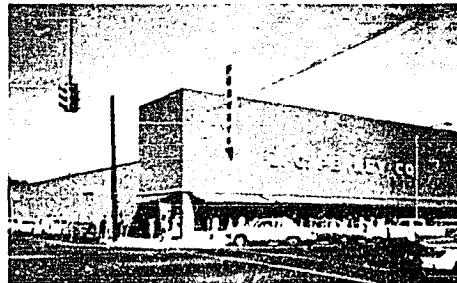
We see many opportunities for growth in 1961 and beyond, including continual physical plant expansion and expanded lines and assortments of Penney-quality merchandise. Shown here are some typical new and relocated stores opened in fiscal 1960, and interior views of departments featuring some traditional soft lines for which Penney's is famous.

A recent analysis showed 25 per cent of our sales originated in markets of 50,000-100,000 population, and 50 per cent in markets of over 100,000 population. Our new store openings definitely trend toward this latter market. Only 8 per cent of our sales volume came from trading areas or markets under 20,000 population.

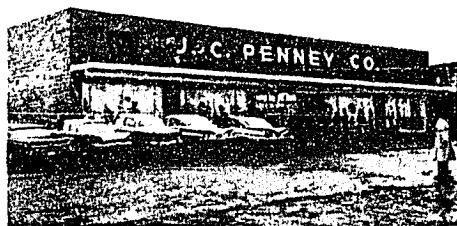
Milford Shopping Center, Milford, Ohio



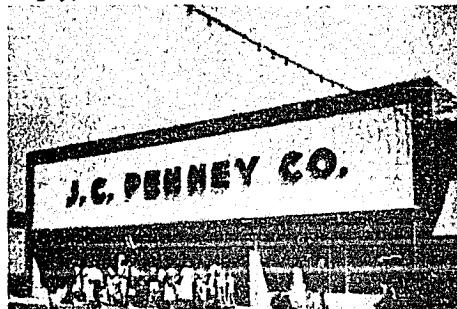
Brunswick, Ga.

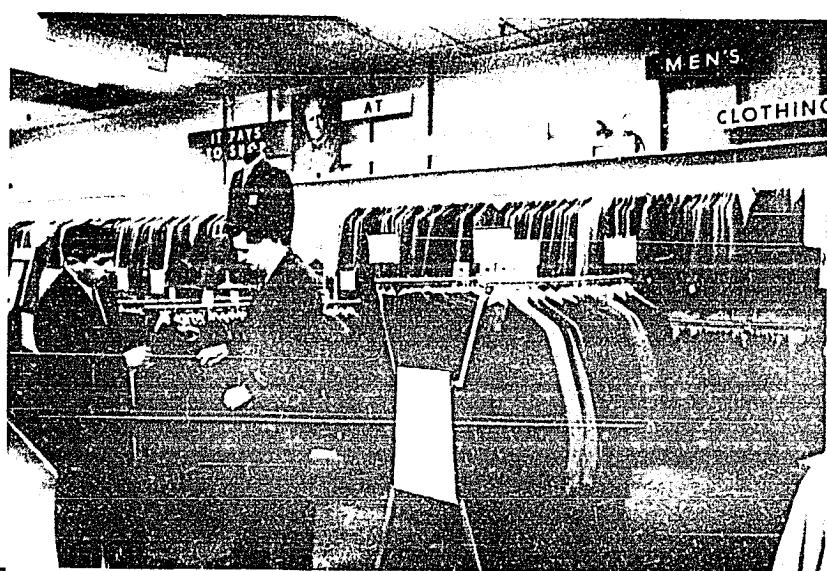


Madawaska, Me.



Rugby, N.D.





10-Year Financial Review

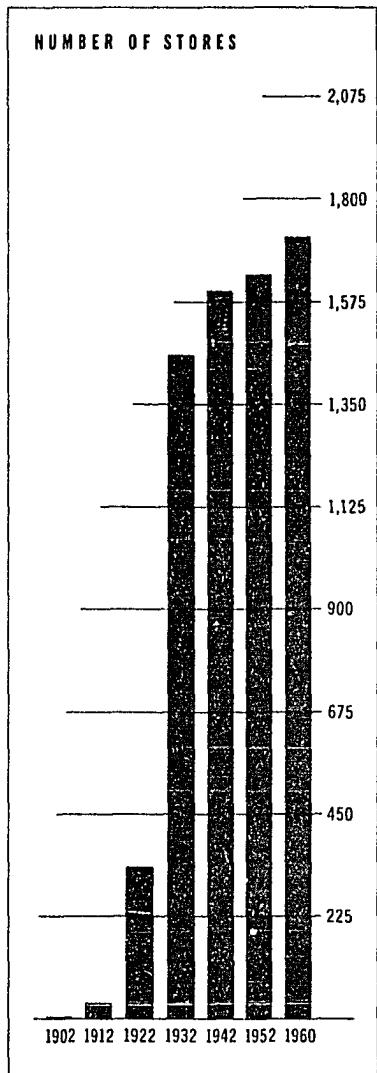
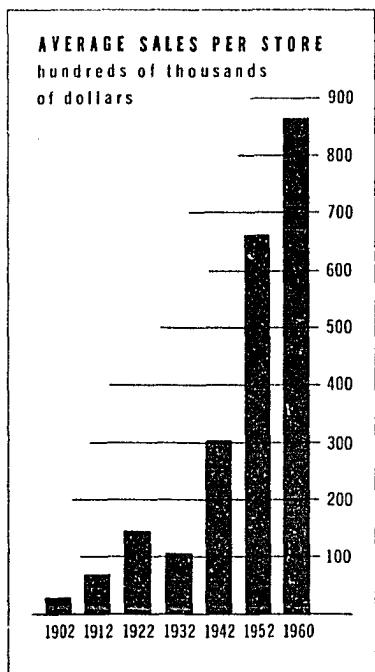
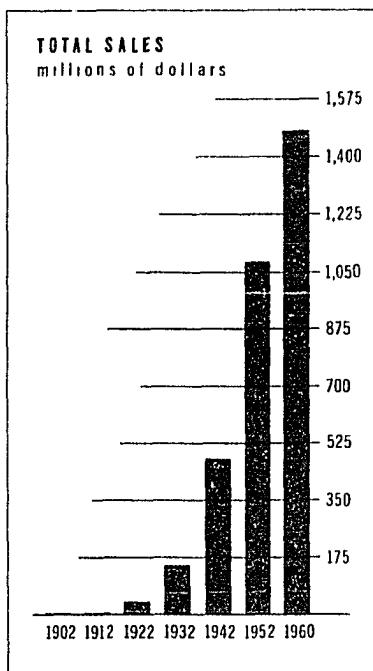
	Year Ended 1/31/61	1/31/60	1/31/59†	12/31/57
Number of stores	1,695	1,683	1,687	1,694
Sales	\$1,468,917,982	1,437,489,357	1,409,972,649	1,312,278,407
Average sales per store (full year)	\$868,455	852,268	837,055	775,491
Net earnings	\$44,994,095	51,523,734	46,876,831	49,410,891
Earnings per share*	\$1.82	2.09	1.90	2.00
Depreciation and amortization	\$12,537,040	11,527,181	11,790,207	10,062,449
Taxes — federal, state and local	\$66,694,025	71,767,190	63,148,699	66,194,154
Taxes per share*	\$2.70	2.91	2.56	2.69
Dividends per share*	\$1.50	1.35	1.42	1.42
Property and equipment — Net	\$86,233,095	78,948,290	75,521,970	71,228,818
Earnings retained for reinvestment in the business	\$7,950,311	18,184,329	11,891,035	14,425,095
Shareholders	39,136	34,766	33,997	33,720

* Prior years adjusted for 3 for 1 stock split May 1960.

† Thirteen months.

12/31/56	12/31/55	12/31/54	12/31/53	12/31/52	12/31/51
1,687	1,666	1,644	1,634	1,632	1,621
1,291,867,267	1,220,085,325	1,107,156,633	1,109,507,674	1,079,256,505	1,035,201,519
766,182	735,293	674,844	680,511	662,633	641,368
46,780,721	46,139,608	43,616,938	38,472,932	37,170,071	33,465,139
1.89	1.87	1.77	1.56	1.51	1.36
8,783,512	7,033,718	5,117,727	3,877,681	2,969,355	4,451,861
62,835,265	60,831,930	54,596,983	64,750,062	64,322,528	58,379,919
2.54	2.46	2.21	2.62	2.60	2.36
1.42	1.32	1.17	1.17	1.17	1.08
69,165,516	62,315,392	54,577,071	49,695,351	36,621,239	32,839,680
11,794,925	13,623,398	14,805,106	9,661,100	8,358,239	6,711,295
31,695	30,019	29,421	29,568	29,157	28,818

59 years of steady growth Illustrated rather graphically by the charts below is the steady growth registered by the Penney Company during its first 59 years. Sales have trended upward ever since 1902 when the first year's total was a resounding \$28,898.11 and Founder J. C. Penney frankly declared, "We are not satisfied. We are after more business . . ." typifying a sales philosophy that has continued down through the years and helps account for last year's record \$1,468,917,982.



Statement of
Earnings and Retained Earnings

	<i>Year ended January 31, 1961</i>	<i>Year ended January 31, 1960</i>
Sales	<u>\$1,468,917,982</u>	<u>\$1,437,489,357</u>
Deduct:		
Cost of merchandise sold, and selling and general expenses (exclusive of items set forth below)		
— less service charges on customers' accounts	1,333,628,203	1,292,067,569
Maintenance and repairs	3,819,290	3,360,877
Depreciation and amortization	12,537,040	11,527,181
Taxes, other than taxes on income	16,309,025	13,817,190
Company contribution to retirement plan	8,182,095	9,393,368
	<u>1,374,475,653</u>	<u>1,330,166,185</u>
	<u>94,442,329</u>	<u>107,323,172</u>
Miscellaneous income — net	<u>936,766</u>	<u>2,150,562</u>
	<u>95,379,095</u>	<u>109,473,734</u>
 Provision for taxes on income:		
Federal	49,100,000	56,500,000
State and City	1,285,000	1,450,000
	<u>50,385,000</u>	<u>57,950,000</u>
Net earnings for the year	<u>44,994,095</u>	<u>51,523,734</u>
 Retained earnings — balance at beginning of year	<u>266,246,416</u>	<u>248,062,087</u>
Dividends — \$1.50 per share and \$1.35 per share, respectively (adjusted for 3 for 1 split)	311,240,511	299,585,821
Retained earnings — balance at end of year	<u>\$ 274,196,727</u>	<u>33,339,405</u>
	<u><u>\$ 266,246,416</u></u>	<u><u>\$ 266,246,416</u></u>

See notes to financial statements on pages 14 and 15.

BALANCE

January

with comparative figures

Assets

	<i>January 31</i> <i>1961</i>	<i>January 31</i> <i>1960</i>
Current assets:		
Cash	\$104,705,430	\$ 89,210,182
U. S. Government securities, at cost plus accrued interest	—	47,593,178
Accounts receivable from customers (including miscellaneous \$2,204,281) less provision for doubtful accounts, \$2,175,033 at January 31, 1961	54,732,568	22,650,829
Merchandise (note 1)	<u>203,823,435</u>	<u>209,738,361</u>
Total current assets	<u>363,261,433</u>	<u>369,192,550</u>
Property and equipment, at cost less provision for depreciation and amortization:		
Land	2,140,018	2,195,012
Buildings	5,800,971	6,086,467
Furniture and fixtures	73,237,737	65,636,426
Improvements to leaseholds	5,054,369	5,030,385
	<u>86,233,095</u>	<u>78,948,290</u>
Prepaid expenses and deferred charges	<u>5,665,379</u>	<u>5,883,558</u>
	<u><u>\$455,159,907</u></u>	<u><u>\$454,024,398</u></u>

1. Inventories are stated at the lower of cost or market determined as follows:

Notes to Financial Statements

Merchandise in stores — by the retail method. Other inventories — cost determined by the first-in first-out method and market on the basis of replacement cost.

2. In filing its Federal Income Tax return for the year ended January 31, 1960 (subsequent to release of financial statements for that year to stockholders), the Company elected to use the installment method of reporting income from credit sales, the effect being to defer payment of Federal Income Taxes of approximately \$2,900,-

SHEET

31, 1961
at January 31, 1960

Liabilities

	<u>January 31 1961</u>	<u>January 31 1960</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 92,045,294	\$100,114,219
Dividends payable in February	14,817,514	14,817,514
Provision for Federal taxes on income (note 2)	<u>25,569,420</u>	<u>32,202,884</u>
 Total current liabilities	 <u>132,432,228</u>	 <u>147,134,617</u>
 Deferred Federal taxes on income (note 2)	 <u>7,700,000</u>	 —
 Reserves for fire losses and associates' death benefits	 <u>6,708,185</u>	 <u>6,520,598</u>
 Shareholders' equity:		
Common stock, par value \$1.00 (note 3):		
Authorized, 27,000,000 shares.		
Outstanding, 24,695,856 shares	34,122,767	34,122,767
Retained earnings	<u>274,196,727</u>	<u>266,246,416</u>
Total shareholders' equity	<u>308,319,494</u>	<u>300,369,183</u>
	<u>\$455,159,907</u>	<u>\$454,024,398</u>

000. Taxes deferred at January 31, 1961 because of use of this method amounted to \$7,700,000.

3. The certificate of incorporation was amended in 1960 to change each of the 9,000,000 shares of the Company's previously authorized stock without par value into three shares (aggregating 27,000,000 shares) of common stock with a par value of \$1.00 each; this change did not affect the aggregate amount of capital.

4. At January 31, 1961 the total minimum annual rentals payable under leases expiring after five years was approximately \$11,700,000. Leases covering about 79% of this amount will expire on various dates during the next twenty years.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS
SEVENTY FIVE STREET
NEW YORK 5, N.Y.

To the Shareholders and the Board of Directors
J. C. Penney Company:

We have examined the balance sheet of J. C. Penney Company as of January 31, 1961 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of J. C. Penney Company at January 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N.Y.
March 20, 1961

Peat, Marwick, Mitchell & Co.

DIRECTORS	OFFICERS
FRED A. BANTZ	ALBERT W. HUGHES <i>Chairman of the Board</i>
WILLIAM M. BATTEN	WILLIAM M. BATTEN <i>President</i>
ALBERT W. HUGHES	RAY H. JORDAN <i>Executive Vice-President</i>
RAY H. JORDAN	FREDERICK L. FINNEGAN <i>Vice-President • Finance</i>
WILLIAM L. MARSHALL	WILLIAM L. MARSHALL <i>Vice-President • Dist. Management</i>
HARRY C. MILLS	HARRY C. MILLS <i>Vice-President • Merchandise</i>
J. C. PENNEY	
EARL A. ROSS	
HOWARD C. SHEPERD	
CECIL L. WRIGHT	
	FREDERICK R. SELTZER <i>Vice-President • Personnel</i>
	CECIL L. WRIGHT <i>Vice-President</i>
	GLENDON M. CAMPBELL <i>Comptroller</i>
	ARTHUR JACOBSEN <i>Treasurer</i>
	CHARLES T. STEWART <i>Secretary and General Counsel</i>

Transfer Agent
Chemical Bank New York Trust Co.
30 Broad Street, New York 15, N.Y.

Registrar
The Chase Manhattan Bank
1 Chase Manhattan Plaza, New York 15, N.Y.

Annual Meeting The annual meeting of shareholders will be held at 10 a.m., May 26, 1961 at 330 West 34th Street, New York, N.Y. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to shareholders on or about April 21. Your prompt attention to the proxy statement will be greatly appreciated.



BUILDING FOR THE FUTURE
Plans for '61

27 new stores are scheduled to open totaling 1,285,000 square feet.
34 established stores are slated to be moved to new buildings, for a net gain of 385,000 square feet.
267 established stores are scheduled to be expanded or improved, for a net gain of 375,000 square feet.
Estimated gain in total gross area resulting from 1961 expansion and improvement program: 2,045,000 (less 42,000 square feet for 8 small stores to be closed).

Photograph shows construction of Penney's 55,000 square foot Hammond, Ind., store scheduled to open later this year in a new downtown location.



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You'll live better, you'll save!

J. C. PENNEY COMPANY

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New York 1, New York

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